



Bush offers no help for California while Davis signs Power Authority bill

Bush previews energy strategy – no help for California

President Bush's energy plan offers little help for California this summer but instead focuses on more oil and natural-gas drilling and greater use of coal and nuclear power.

The only item that could help California this summer is a planned presidential order to have federal agencies expedite permit approvals for new power plants nationwide. But Bush already ordered those quicker reviews for California earlier this year. The other specific California proposal would direct the secretary of energy to look into helping the state improve the current transmission bottleneck between Northern and Southern California.

Bush directed two federal regulatory agencies to monitor electricity prices in the state and elsewhere and "make sure that nobody in America gets illegally charged."

Bush on Wednesday reiterated his opposition to any price controls, angering Davis and other California Democrats.

"Mr. President, runaway energy prices are not just a California problem. With all due respect, I once again urge you to stand up to your friends in the energy business and exercise the federal government's responsibility to ensure energy prices are just and reasonable," Davis said.

Instead of price controls for California or elsewhere, Bush is focusing on long-term energy proposals that won't be producing results anytime soon.

For example, drilling in Alaska's Arctic National Wildlife Refuge, even if allowed, won't produce any oil for up to 10 years. The supply is estimated at 6 billion barrels, enough to satisfy total U.S. demand for only nine months.

Carl Pope, executive director of the Sierra Club, said the plan overall is bad for the environment and the nation.

Among the highlights:

- Encourage the expansion of nuclear-power plants.

- Spend \$3 billion to assist low-income people with bills.

- Spend an additional \$2 billion on research into burning coal more cleanly.

- Spend \$4 billion on tax credits for consumers who purchase highly efficient vehicles.

Davis signs bill creating Power Authority

California will no longer be held captive by energy suppliers charging high prices for power, Gov. Gray Davis said Wednesday as he officially put California into the electricity wholesale business.

By signing a bill by Sen. John Burton, D-San Francisco, Davis created the California Consumer Power and Conservation Financing Authority -- a new state agency that can issue up to \$5 billion in revenue bonds to build, purchase, lease or operate power plants.

Plants financed by the authority will provide cost-based electricity to California consumers, Davis said, which will help stabilize the state's volatile energy market.

The power authority is modeled after one in New York, which has 10 power plants, 1,400 miles of transmission lines and produces about 25 percent of the state's power. Nebraska also has a power authority, which created a market in which residents pay 22 percent less than the national average, Burton said.

An increase in the number of power plants down for repairs this year "is strong evidence that people are manipulating the market by withholding power," Davis said.

"The only way we can fight back against this type of price gouging and manipulation is to build more plants," he said at the bill-signing ceremony in front of a Sacramento Municipal Utility District power plant.

The bill gives the power authority the power of eminent domain, but Burton said if the state were to seize any power plants he would prefer that it would be by using the governor's emergency power, because that process is quicker.

Few Republicans in the Legislature supported the bill, saying the state shouldn't get further into the power business. They also warned that it could discourage private companies from building plants.

The bill was sponsored by state Treasurer Philip Angelides, who conceded that it won't save California from blackouts this summer but will help stabilize the energy markets as more generators are built.

The state has been buying power for the customers of three major utilities since mid-January.

PUC decides how to allocate big rate hike

Seven weeks after approving the largest electric rate hike in state history, the California Public Utilities Commission decided Tuesday how to allocate that increase.

The plan submitted by PUC president Loretta Lynch was approved 3-2 after a week of intense lobbying by groups representing industrial, commercial, agricultural and residential ratepayers.

Under the plan, California residential ratepayers will pay up to 47 percent more for electricity. The hikes will begin appearing on June bills, and will be retroactive to March 27 -- the day the record rate hikes were approved.

The plan will affect about 9 million customers of the state's two largest utilities, Pacific Gas and Electric Co. and Southern California Edison Co.

FERC nominees open to rate caps

President Bush's two nominees to the Federal Energy Regulatory Commission said at their Senate confirmation hearing Wednesday that more needs to be done to remedy California's "dysfunctional" energy market, and they didn't rule out controls on wholesale rates. But Patrick Wood III, the chairman of the Texas Public Utility Commission, and Pennsylvania Utility Commissioner Nora Mead Brownell also said that re-regulating wholesale prices based on the cost of production is a complex process that might take too long to be of any help.

Brownell and Wood promised Sen. Dianne Feinstein that if they are confirmed, they will resolve why the cost of bringing natural gas into California has skyrocketed. Feinstein, D-Calif., asked the two nominees to the FERC why natural gas was selling at \$11.52 per measured unit Tuesday in Southern California and \$4.31 in the San Juan Basin in Arizona. The nominees were questioned by the Senate Committee on Energy and Natural Resources, which must vote to send their nominations to the full Senate.

Davis turns up heat on Reliant Energy

After months of broadly vilifying California's energy suppliers, Gov. Gray Davis has launched a new offensive, taking aim at a single firm: Houston-based Reliant Energy, whose executives believe the governor may be building a case to confiscate the company's power plants. Intensifying his assault, Davis on Wednesday called Reliant "obstructionist." He warned that actions taken by Reliant and other independent generators this summer will determine whether he signs a windfall profits tax bill or, in the extreme, commandeers the electricity produced by a plant or seizes the facility itself.

Power companies say no to Lockyer

Three power companies under investigation by Attorney General Bill Lockyer for allegedly gouging California consumers have refused to hand over key documents. A May 25 court hearing has been set to resolve the dispute between Lockyer and the three companies, Reliant, Mirant and Dynegy have refused to disclose internal company information since it was subpoenaed by Lockyer's office Feb. 15.

Scheduled blackout plan gaining favor -- buyers cartel with Washington, Oregon urged

More blackouts but no ransom payments for energy gougers -- that's a deal looking increasingly attractive to California lawmakers and consumer advocates. The idea, which has attracted the support of some key lawmakers and the cautious interest of Gov. Gray Davis, is for the state to set a firm ceiling on what it will pay power producers for electricity this summer -- and not one dime more. The

trade-off would be certain blackouts, possibly more than if the state continues to pay any price electricity sellers demand.

Democratic Assemblymembers Fred Keeley and Paul Koretz on Wednesday urged Gov. Gray Davis to form a "buyers cartel" with Oregon and Washington that would refuse to pay exorbitant prices for electricity. Frustrated by the refusal of the Bush administration to limit the high wholesale electricity prices that are draining California's budget, the legislators are essentially proposing that the Western states trump the federal government and set a regional price cap.

U.S. utility regulator acts to ease blackouts

The nation's top utility regulator took some small steps Wednesday aimed at curbing California's blackouts this summer.

The Federal Energy Regulatory Commission, among other steps, will offer more financial incentives to spark upgrades and expansions of infrastructure for electricity transmission.

FERC also ruled that the state's small independent energy suppliers can sell any extra electricity on the open market and that utilities, such as Southern California Edison, must transmit that electricity on the grid. The extra electricity is power the generators aren't obligated by contract to sell to the utilities.

And FERC also said that it won't stand in the way of any judge's decision to allow independent suppliers to sell all their electricity on the open market. Gov. Gray Davis criticized this decision Wednesday, accusing regulators of harming the state.

Dozens of these companies have been battling in court to get out of their long-term contracts with the state's struggling utilities, Edison and Pacific Gas & Electric Co.

An attorney for the California Cogeneration Council, a trade group representing some independent generators, called the order "a big win" that will get more electricity to Californians. FERC commissioners estimated there may be as much as 1,000 megawatts of such extra independent electricity waiting to be sold -- enough juice for a million homes.

One independent generator, however, said he was disappointed that the order did not free the small generators from their long-term contracts to the utilities. The utilities owe the small generators millions of dollars for electricity, and some of the generators have shut down because they have not been paid.

SF to go it alone?

Mayor Willie Brown has hired a longtime advocate of public power associated with David Freeman, Gov. Gray Davis' top electricity adviser, to help increase San Francisco's independence from PG&E. Brown's hiring of Edward Smeloff, a former elected board member at the Sacramento Municipal Utility District, for a top post at the city Public Utilities Commission, is another step in the mayor's attempt to create a regional power authority -- and give the city greater energy security. Such an agency could build power plants and enter into long-term electricity contracts.